



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101

DAVID E. JANSSEN  
Chief Administrative Officer

October 16, 2001

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**REQUEST FOR APPROVAL OF CLASSIFICATION CATEGORIES FOR FIXED  
ASSETS AND ADOPTION OF NEW REQUIREMENTS FOR MAJOR FIXED ASSET  
ACQUISITIONS  
(3-VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve the attached classification categories as required budgetary disclosures for all proposed equipment acquisitions, regardless of the source of funds used to purchase or finance them.
2. Instruct departments to provide to the Chief Administrative Office (CAO) a detailed list of proposed fixed asset purchases for fiscal year 2001-02 within two weeks and provide an updated copy of the listing with each Budget Status Report (BSR) and at the end of the fiscal year upon final closing.
3. Adopt a policy whereby departments will obtain Board approval to purchase or finance equipment with a unit cost of \$250,000 or greater prior to submitting these requisitions to Purchasing. Departments must also include an updated list of Board approved and actual equipment purchases with their Board request, if the proposed purchase had not previously been reported or varies from the Board approved purchases. This policy will be effective immediately following Board approval with the exception of requisitions already submitted to Purchasing.

Board of Supervisors

GLORIA MOLINA  
First District

YVONNE BRATHWAITE BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

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4. Instruct Internal Services Department (ISD) to process equipment purchases with a unit price of \$250,000 or greater only after the department has obtained Board approval.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On October 2, 2001, your Board instructed the Auditor-Controller, Director of Internal Services, and Chief Administrative Officer to report back with appropriate classification categories for fixed assets, and a mechanism for enforcement of fixed asset purchases beyond a specific threshold.

#### **FISCAL IMPACT/FINANCING**

No fiscal impact.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

##### **Background**

Fixed assets consist of land, buildings/improvements, and equipment. Existing County policies require detailed disclosure in the budget and Board approved appropriations for each capital project (including land acquisition) and refurbishment that exceeds \$100,000.

Equipment is defined as a major movable capital asset having an expected useful life that exceeds one year. County policy has established \$5,000 as the minimum value of an individual item for purposes of classification as equipment. Similar items having a unit value of less than \$5,000 are classified as services and supplies expenditures.

Equipment is acquired by direct purchase, by lease purchase through the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL), or by lease purchase using alternative financing arrangements. Equipment that is directly purchased is currently authorized by lump-sum "equipment" appropriations that are allocated within each

budget unit. LAC-CAL and other lease purchase financing programs are administered by the Chief Administrative Office. LAC-CAL and other lease purchases require departments to make installment payments, which are authorized by appropriations reflected as "other charges" within each budget unit.

#### Equipment Classification Categories

Attached are equipment classification categories that are intended to provide an appropriate level of disclosure for all proposed equipment acquisitions. The categories reflect equipment items that are representative of the County's equipment portfolio, with particular emphasis on areas with high volumes of activity, such as vehicles. A brief definition and examples of items have been provided for each category.

Most departmental equipment needs are identified and authorized by the Board when the Proposed Budget is adopted each year. If approved, the attached categories would provide additional detail to support all amounts appropriated under the equipment line item for County and District budgets adopted by the Board. Comparable details would also be required for disclosure relative to proposed equipment purchases through LAC-CAL or any other alternative financing mechanism.

After the Proposed Budget has been adopted, additional equipment appropriations that are recommended as part of final budget changes or budget adjustments would require categorical disclosures. Items intended to be acquired through LAC-CAL or other lease purchase arrangements would require departments to obtain specific Board approval if they were not included in the disclosures that were submitted in the Proposed Budget.

#### Fixed Asset Classification Reporting

As further instructed by the Board, upon approval of the classification categories, departments will provide the CAO with a detailed list of proposed fixed asset purchases for fiscal year 2001-02 within two weeks. Further, the CAO will include in the fiscal year 2002-03 and future budget instructions a requirement that Department and District Heads identify all requests for fixed asset purchases by the attached classification categories, regardless of the source of funds used to purchase or finance the equipment. In addition, departments will be required to submit an updated fixed assets list with each BSR as well as at the end of the fiscal year.

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Approval Requirements for Major Equipment Acquisitions

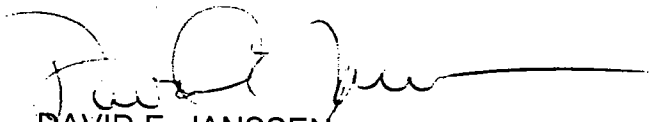
In addition to the classification categories that would accompany the budgetary approvals to acquire equipment, it is recommended that requisitions for individual equipment items with a unit cost of \$250,000, or greater be submitted by departments to the Board for approval. Departments must also include an updated list of Board approved and actual equipment purchases with their Board request, if the proposed purchase had not previously been reported or varies from the Board approved purchases. This new requirement would provide the Board with additional oversight of the most significant individual equipment items that are being acquired.

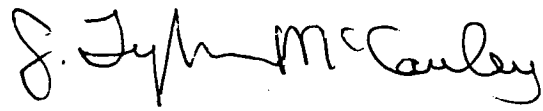
Departments are required to submit requisitions to the Purchasing Agent for equipment that is purchased or financed. The Purchasing Agent would not be authorized to proceed with the purchasing transaction for items with a unit price greater than \$250,000 unless the applicable department has obtained Board approval.

CONCLUSION

We believe the recommendations being proposed will provide your Board with more detailed information about what types of fixed assets purchases are being made by departments and provide better controls over major expenditure equipment purchases.

Respectfully submitted,

  
DAVID E. JANSSEN  
CHIEF ADMINISTRATIVE OFFICER

  
J. TYLER MCCAULEY  
AUDITOR-CONTROLLER

DEJ:DL  
JT:vyg

Attachment

c: County Counsel  
Each Department

County of Los Angeles  
Fixed Assets Classification Categories  
October, 2001

Equipment is defined as a major movable capital asset having an expected useful life that exceeds one year. County policy has established \$5,000 as the minimum value of an individual item for purposes of classification as equipment. Similar items having a unit value of less than \$5,000 are classified as services and supplies expenditures.

Agricultural and Landscaping Equipment

Includes all items relating to agricultural and landscaping services, installations, and maintenance.

Aircraft

Includes all items related to air transportation such as airplanes and helicopters.

Communications Equipment

Includes all equipment used for telephone operations, telecommunication systems and radio systems. Telecommunication and radio systems may include assets such as switching equipment, transmitters, receivers, antennas, and their supporting structures, cooling systems, and control amplification equipment.

Computer Information and Data Processing Systems

Includes computers and peripheral equipment used in administering normal business transactions and the maintenance of business records for their retrieval and analysis. Examples of information system equipment are mainframe computers, servers, scanners, sorters, plotters, printers, and other various computer related peripheral equipment.

Construction and Heavy Maintenance Equipment

Includes assets used in construction such as general building, special trades, heavy and marine construction, cranes, earth moving equipment, road maintenance equipment, beach maintenance equipment, etc.

Electronic Equipment

Includes assets such as digital cameras, digital camcorders, electronic surveillance equipment, and electronic security systems, and other electronic devices.

Food Preparation Equipment

Includes all items used in preparing food and beverage items.

Machinery Equipment

Includes assets used as machine tools, tool and dye equipment, laundry equipment, heating, cooling, refrigeration systems, and appliances.

Major Office Equipment

Includes mailing machines, postage machines, paper shredders, photocopiers, graphic and photographic equipment, print shop equipment, and major office equipment excluding computer related equipment.

Manufactured or Prefabricated Structures

Examples of manufactured structures include mobile structures, green houses, storage sheds, canopy towers, lifeguard stations, etc.

Medical Equipment

Includes assets related to medical and dental equipment used to provide medical services such as diagnostic services, laboratory services, or patient care services.

Non-Medical Laboratory and Testing Equipment

Includes assets related to laboratory equipment used to provide non-medical services such as oscilloscopes, field strength meters, analyzers, and various laboratory and testing equipment.

Recreation Equipment

Includes assets used for the entertainment of individuals other than permanent buildings for parks, beaches, amphitheaters, and golf courses, etc.

Vehicle-Automobile

Includes all ambulances, automobiles, light trucks, motorcycles, paramedic vans, patrol vehicles, vans, and other transportation vehicles.

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Vehicle-Bus

Includes all types of buses, regardless of size.

Vehicle-Heavy Use

Includes all heavy trucks, fire engines, tractors, and trailers.

Watercraft

Include all items related to water transportation such as boats, vessels, barges, and tugs.

All other Undefined Assets

Includes all assets not generally defined as noted above.

10/15/2001 8:30 AM